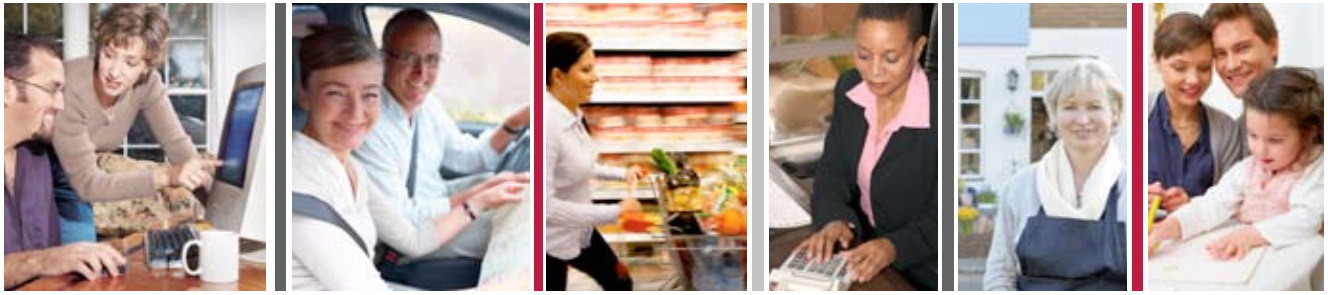


MANAGE YOUR MONEY



Lesson 1: Getting Started



Wouldn't it be great to win the lottery or inherit a fortune and suddenly have enough money to pay off all your debts and enjoy being rich for the rest of your life! If we are realistic, a windfall is not likely to happen. And even if the dream came true, you would probably find that having money does not end financial concerns. Even millionaires need to know how to manage money.

Money management skills and good financial practices are needed no matter how much or how little money you have. Financial planning is important. While it's difficult to think about planning for the future when pay day is a week away and your wallet and checkbook are empty, you can learn to manage dollars carefully.

Manage Your Money will help you:

- Know what you want to do with money.
- Know where your money goes.
- Know how to save money for your goals.
- Plan your spending in advance.
- Know your credit limits and how to keep control.
- Organize your financial records.

Manage Your Money includes six lessons, numbered 1 through 6. Pages in each lesson are numbered with the lesson indicated, followed by the page number. For example, this is Lesson 1, page 1 (1-1). Worksheets with each lesson are identified with the lesson number and labeled A, B, C, etc.

The material often refers to a two-adult household but can easily be adapted for a single person.

Manage Your Money is about stretching and managing money. Lesson 1 begins with an understanding of yourself, your co-spender, and how you feel about money.

Spending Log

Start now to keep notes on expenses. The checkbook tracks the dollars when you write a check. If you use a credit and/or debit card, are you keeping track of each purchase? A small notebook to use as your Spending Log or the DollarTracker folded sheet (page 1-10 of this lesson) are handy tools to use to keep track of the cash you spend. You will need this information in Lesson 2.

What's Important to You?

Why do you spend your money the way you do? If ten people were given a \$100 bill, they would most likely spend it in entirely different ways. Why? Because different people value different things. The deep-rooted beliefs you have about what is desirable and good are known as values. Values grow from personal experiences. You make choices based on your values. Values are not necessarily right or wrong; they express what is important to you.

Families set goals based on their values. A major reason why many couples argue about money involves differing values and conflicting goals between partners. Couples often have a harder time resolving money issues than other conflicts. Money issues tend to be raised repeatedly and are more likely to be mishandled.

Worksheet 1-A: Your Thoughts on Money

1. You've just won \$10,000 in the lottery. What will you do with the money?

\$ _____ for _____

\$ _____ for _____

\$ _____ for _____

\$ _____ for _____

\$ _____ for _____

\$ _____ for _____

How would others in the family wish to handle the lottery money?

2. You have just been laid off from your job. You must make a major cut in spending. What would you cut first? What would others in the household eliminate?

3. How would you change spending if you had:

more money? _____

less money? _____

Don't Clash Over Cash

When asked how much money is enough, a wealthy individual replied, "Just a little bit more."

Most families find there is never enough money, so sooner or later, they squabble about how to spend the limited dollars. Meshing different styles of handling money doesn't just happen because people love each other. It takes effective communication, time, and effort.

If your money discussions escalate to shouting matches or tearful sessions, changes are needed. Realize each of you will have different attitudes and values. To one, money may represent power. To another, it may mean security or status. One may be a spender, the other a saver. The concern is not that you always agree about money, but how you disagree and that you come to a suitable compromise.



What Is an Argument Worth? Save arguments for important issues and major expenditures. Decide amounts each person can spend without reporting to anyone. It might be \$5, \$10, \$25, or whatever fits your budget. These regular allowances provide a sense of spending freedom and eliminate discussions over personal items and incidentals.

A Time and a Place. Talking about money "later" or promising to discuss it "some other time" may never happen. Schedule regular meetings to discuss financial matters. This keeps you and your co-spender informed and can prevent minor concerns from becoming major problems.

The particular time you decide to meet will depend on family schedules. Try to avoid meeting between 5:00 p.m. and 7:00 p.m. when people are usually tired and hungry. Meeting just before pay day or when bills are due is often a good choice.

For your meeting, choose a place with minimum distractions. Do not let the television, radio, and phone interfere with your communications.

Include all family members when appropriate. Children can learn from this process. Allow everyone a chance to express feelings, wants, and needs without interruption or criticism. Family members are more likely to support a decision if they are included in the decision.

Listening Habits. Effective communication requires good listening. What kind of listener are you? During a disagreement, do you find yourself planning your defense? Does your mind wander? Do you stop listening if a subject is difficult to understand?

Listen for key points. Ask questions if you don't understand something. Be careful not to criticize, argue, or give feedback that keeps someone from expressing feelings.

The following responses hurt effective communication:

- **Ordering, Directing, Commanding.**

These messages tell people that their feelings, values, or needs are not important. (*"You need to stop going to the mall."*)

- **Warning, Threatening.**

Telling what will happen if something is or isn't done can make a person feel fearful and submissive. (*"If you don't control your charging, I'll cut up your charge cards."*)

- **Moralizing, Preaching.**

Telling what should or ought to be done often results in resistance and defending a position even more strongly. (*"You really should stop smoking."*)

- **Advising, Giving Solutions.**

Being told how to solve a problem may make a person feel unable to make wise decisions. (*"Next time, tell your co-workers you can't go out for lunch."*)

- **Judging, Criticizing, Disagreeing, Blaming.**

These messages, more than any other, make a person feel inadequate, inferior, or worthless. (*"It's your fault we don't have any money."*)

- **Name Calling, Shaming, Ridiculing.**

This can hurt a person's self-image or cause discouragement and anger. (*"Well, Mr. Big-Spender, what stupid thing did you buy with the last \$100 I gave you?"*)

Use "I ..." Messages. The words you choose and your tone of voice can fuel or diffuse an argument. Another is more likely to hear you if you use "I-Messages" instead of "You-Messages." "You-Messages" tend to be verbal attacks of blame and criticism. "I-Messages" focus on you and your feelings.

The Three Parts of an I-Message:

1. **"I feel ..."** Make a clear statement of how you feel.
2. **"When you ..."** Name the specific behavior that caused you to feel that way.
3. **"Because ..."** Say why the behavior or event is upsetting.

Instead of this: *"You never record the amounts of checks you write."*

Try this: *"I feel frustrated when you don't record check amounts because I don't want to pay fees for a bounced check."*

Remember: "I-Messages" have three specific parts. Just starting a sentence with "I" doesn't make it an "I-message."

Solving Money Problems. If a problem is worth arguing about, it is worth solving. Combine good communication skills with the following steps:

1. Acknowledge that there is a problem. Get feelings out in the open.
2. Identify the real problem. Money issues are often emotionally charged. Organized, written records give objective information rather than guesses. Be sure the issue is really money.
3. Discuss only the identified problem. Keep personalities, past complaints, or other problems out of it.
4. Brainstorm alternatives. List all possible actions/solutions no matter how ridiculous. No one should comment on suggestions until the list is complete.
5. Discuss each alternative and agree on a possible solution. Write it down. A compromise may be the best solution. Everyone should feel his or her wishes were considered.

6. Make every effort to support the solution. Identify and avoid obstacles. Recognize necessary sacrifices. Perfect solutions are rare.
7. Keep communications open while working out the solution. Each person needs to feel understood, appreciated, and loved.

Tools for Talking About Money. Worksheets 1-B and 1-C outline activities to encourage communications about money. While people will have different opinions, it is important to understand the differences and what's important to each other. Discuss how these differences will influence your budget, and compromise to meet your combined goals.



What Do You Want to Do With Your Money?

To manage money, it is necessary to take a look into the future, see where you want to be, so you can plan how to get there. Families set their financial goals based on their values. One family's goal list will be different from another family's list. Here are some examples of goals:

- own my own home
- pay off all debts
- college for my children
- take a family vacation
- set up an emergency fund

TIP: Financial planners generally recommend that at least 10 percent or more of your take-home pay should be going toward your savings goals each month.

Worksheet 1-B: What's Important?

Read over the list to the right. Rate each item as 1, 2, or 3. Put a "1" beside the things that are **HIGHLY** important to you. Put a "2" by the things you consider somewhat important, and a "3" by things that are not important to you. After you've completed the list, ask your co-spender to do the same.

One person answers in the column to the left and the other person uses the column to the right—without looking at the earlier responses.

After both you and your co-spender have completed the list, take some time to compare.

Do you both value the same things? Does one want more new clothing when the partner would prefer to go on a vacation?

It's hard enough for one person to decide which is more important, but even harder for two people to agree on the same things.

Do you and your partner agree on your spending values? Are you spending money on the things that are really important to both you and your family?

Take some time to compare your actual spending to your priorities.

	(names)	
_____	religion	_____
_____	education	_____
_____	vacation	_____
_____	saving money	_____
_____	owning own business	_____
_____	jewelry	_____
_____	family	_____
_____	health	_____
_____	cultural events	_____
_____	sports	_____
_____	job success	_____
_____	food	_____
_____	insurance	_____
_____	having lots of money	_____
_____	friends	_____
_____	new car	_____
_____	paying off debts	_____
_____	clothes	_____
_____	entertainment	_____
_____	boat	_____
_____	other?	_____

Worksheet 1-C: Thinking about Money and Your Values

To start talking about your money with your co-spender, each one can fill in the following spaces, then compare and discuss your answers.

Name: _____

Write the dollar amounts for:

Monthly family income _____

Rent or mortgage _____

Monthly food bill _____

Monthly car payment(s) _____

Monthly telephone bill _____

Monthly electric bill _____

Outstanding credit (cards) _____

Your last “night out on the town”:

Do you “A” agree or “D” disagree with these statements? Circle your answer.

- A D I am too tight with money.
- A D My partner is too tight with money.
- A D I want to be included in decisions about money.
- A D I like to buy things because it makes me feel good.
- A D I feel good about how our family handles money.
- A D Our family needs a better way to manage money.
- A D It is important to set goals and plan for the future.
- A D Why worry about tomorrow, I live from day to day.
- A D I would like to go out more often, even if it means doing without something.
- A D I would rather do without some things for now to have a more secure future.

Name: _____

Write the dollar amounts for:

Monthly family income _____

Rent or mortgage _____

Monthly food bill _____

Monthly car payment(s) _____

Monthly telephone bill _____

Monthly electric bill _____

Outstanding credit (cards) _____

Your last “night out on the town”:

Do you “A” agree or “D” disagree with these statements? Circle your answer.

- A D I am too tight with money.
- A D My partner is too tight with money.
- A D I want to be included in decisions about money.
- A D I like to buy things because it makes me feel good.
- A D I feel good about how our family handles money.
- A D Our family needs a better way to manage money.
- A D It is important to set goals and plan for the future.
- A D Why worry about tomorrow, I live from day to day.
- A D I would like to go out more often, even if it means doing without something.
- A D I would rather do without some things for now to have a more secure future.

Think About Your Goals. Financial goals are the specific things you want to do with your money within a certain period of time. Goals give you purpose for the way you will spend your money today and tomorrow. Goals give targets for different periods in the future.

- **Short-term goals** can be done soon. Perhaps in a week or a few months, but no longer than a year. *Examples: buy new clothes, save for a vacation.*
- **Intermediate goals** can be accomplished in one to five years. *Examples: buy a new car, pay off debts.*
- **Long-term goals** look ahead five to ten years and longer. *Examples: buy a house, put children through college, retire.*

To be effective, financial experts recommend that goals be in writing and be **SMART**.

Specific. Set goals you can clearly name. For example, save for a new refrigerator, not just to save.

Measurable. Determine the amount of time and money it will take to reach them. **Mutual.** If you share money with other family members, goals that you agree on will be easier to achieve.

Attainable and Achievable. Given your financial situation, the amount to set aside needs to fit within your overall budget. Goals set too high can be so frustrating that you give up your plans. Maybe it is impossible to save \$100 a month right now; adjust your time line and try for \$25.

Realistic. You may need to be more practical about the goal you have set. If a new car is beyond your means, would a used model meet your needs? **Relevant.** Make sure your goals fit your needs and situation.

Time bound. Set a specific target date (for example, NOT “spring of 2012” BUT April 16, 2012).

Trade-offs. What are you willing to give up to achieve this goal? What obstacles will you need to overcome? The “prize” (goal) needs to be worth the “price” (what you must give up or delay), or you will find it difficult to reach your goal.

More Thoughts on Goals. You and your family probably have some ideas about the things you want in the future. An advantage of setting goals is that you have something to work toward. People can get so caught up in day-to-day problems they end up accomplishing very little toward intermediate goals and long-term goals. A lack of financial planning can mean problems sometime in the future.

Goal #1: Emergency Fund (a sample)			
Target Date	Total Cost	Amount Already Saved	Amount to Save Each Month
(25 months from today) Apr. 16, 2012	\$5,000 3 months' expenses (up to 6 months' expenses desirable)	\$1,000	$\$5,000 - \$1,000 = \$4,000$ $\$4,000 \div 25 \text{ months} = \160
Obstacles to overcome: <ul style="list-style-type: none"> • other demands for current expenses • other goals and priorities • current spending habits • limited amount of money coming in each month • an emergency fund has not been a priority before • defining what is an emergency 			
Step 1: Save all loose change for the emergency fund.			
Step 2: Use coupons and put savings into emergency fund.			
Step 3: Pack lunch at least twice each week and put savings in fund.			
Step 4: Direct deposit \$100/month into savings account.			

A goal may require resources other than money to achieve. Your resources include time, talents, and abilities. To achieve some goals you may decide you need to earn more money; and to earn more money you may need more training or education, which requires time and talents, as well as expense.

Setting Family Goals. How many goals will you list? It depends on your family's needs, wants, and desires. Included with this lesson is Worksheet 1-D: Goal Setting. It will help you plan family goals. Take time to write down your goals so you can see what is really important to you and your family and what you want for your future.

One example of an important goal in all households is the Emergency Fund, as outlined in the sample on page 1-6. It is specific with dates and amounts. Discussions identify the obstacles and involve the entire household in the commitment to the goal. The plan outlines step-by-step how this will be accomplished.

If an Emergency Fund is a goal for your household, the sample is a model to adapt to your amounts, obstacles, and plan.

Now it's your turn. Take time to seriously think about and discuss what you want for the future. On a separate sheet of paper list the goals important to you and your family. Listing goals is usually not hard. The more difficult task is to rank your goals. Identify your highest priority goal and label it "1." Place a 2 next to the second highest and continue until you rank each goal on your list.

Next, copy Worksheet 1-D: Goal Setting on page 1-8. There is space for two goals on the sheet. Use a pencil. You can adjust the goals as needs and circumstances change. Discuss obstacles and step-by-step plans. Determine the monthly savings for your goals. The **Total Cost** minus the **Amount Already Saved** equals the balance needed. Divide the balance needed by the number of months to the **Target Date** to determine the **Amount to Save Each Month**.

Action Steps for Lesson 1

Each *Manage Your Money* lesson includes a "to do list" to outline the steps you can take to put the lesson into action. Check off the progress you make as you complete an activity.

Action Steps	✓ Take Action Now
Check each step after you have completed it.	
<input type="checkbox"/> Start and keep a Spending Log and/or Dollar Tracker page for each week.	
<input type="checkbox"/> Complete Worksheet 1-A: Your Thoughts on Money.	
<input type="checkbox"/> Practice "I" messages.	
<input type="checkbox"/> Complete Worksheet 1-B: What's Important?	
<input type="checkbox"/> Complete Worksheet 1-C: Thinking about Money and Your Values.	
<input type="checkbox"/> Complete Worksheet 1-D: Goal Setting.	
Goal 1 _____	
Goal 2 _____	
Goal 3 _____	
Goal 4 _____	



Worksheet 1-D: Goal Setting

Goal # _____ Today's Date _____

Target Date	Total Cost	Amount Already Saved	Amount to Save Each Month
Obstacles to overcome:			
Step 1:			
Step 2:			
Step 3:			
Step 4:			

Goal # _____ Today's Date _____

Target Date	Total Cost	Amount Already Saved	Amount to Save Each Month
Obstacles to overcome:			
Step 1:			
Step 2:			
Step 3:			
Step 4:			

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More Information and Sources

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Manage Your Money is a six-part self-study course. The lessons include:

- | | |
|------------------------------|---|
| 1. Getting Started | 4. How Much Credit Can You Afford? |
| 2. Where Does Your Money Go? | 5. Develop Your Budget |
| 3. Stop Spending Leaks | 6. Your Net Worth and Financial Records |

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Dollar Tracker

Sunday	Monday	Tuesday	Wednesday
Thursday	Friday	Saturday	<p>Notes: To track your expenses copy a page for each week. Fold the page to fit in your pocket. Jot down purchases.</p> <p>Also note your mood (how you feel) at the time of purchase.</p> <p>At the end of the week put a star (*) by items that are "needs" (bare necessities). Put a plus (+) by the "wants" (ways to meet needs with more style or comfort). Circle items that are "desires" (something you like having but doesn't fulfill any basic need).</p>

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